



June 27, 2002

To: All Benefit-Eligible Employees (Except Deputy Sheriffs)

From: Ron Sims, King County Executive
Joint Labor Management Insurance Committee

Subject: **Rising Costs and Reduced Revenues Require Benefit Changes**

As we all know, health care costs have been rising dramatically across the nation. In King County it is no different. In 1996 King County paid \$410 a month per employee (\$63 million a year) for the comprehensive health benefits package it provides benefit-eligible employees and their families. This year the same package costs \$783 (\$120 million). That's a 91 percent increase in just six years! Like the national trend, the cost increase is driven by the higher cost of new treatments (including new, more expensive prescription drugs), the higher reimbursements demanded by hospitals and other providers, and the type of health care services we use.

Over the past six years King County has been able to absorb this increase in cost. However, with benefit premiums rising and county general fund revenues falling, this is no longer the case. In benefit negotiations conducted last fall, the county and the Joint Labor Management Insurance Committee agreed to implement several changes to address the situation. Effective January 1, 2003:

- We will reduce from five to three the number of medical plan options available to regular and Local 587 part-time employees. This will reduce administrative costs.
- Prescription drug services will become a separate plan, like the dental and vision plans are now.
- Employees will not be required to contribute to monthly premiums (with the exception of some part-time Local 587 employees who already contribute). However, employees and family members will pay higher annual deductibles, coinsurance and copays when they use services.
- Coordination of benefits (waived deductibles, coinsurance and copays) for employees "double covered" under their own plans and those of a spouse or domestic partner will be modified to make cost-sharing the same for all employees.

During 2002 and 2003, labor and management representatives will also investigate:

- Making changes to the retiree health plan to make it more affordable, and to provide employees with an opportunity to participate in a pre-tax saving plan to help cover the cost of retiree health plan premiums.
- Developing programs to support and promote wellness.

The changes in our health care package reflect what is happening at other large private and government employers in the region, with two important exceptions:

- The types of health care services covered through the King County health benefit plans remain intact and more comprehensive than those provided by most other employers in the region.
- Although employees will share more medical plan costs through higher annual deductibles, coinsurance and copays when they use services, these out-of-pocket expenses will still be lower than the average for the region.

Contracts to secure providers for the new benefit package are currently being negotiated. As they are finalized, Human Resources will make information available through additional notices posted on its Web site (www.metrokc.gov/ohrm/benefits) and open enrollment packets mailed to employees' homes in October. In the meantime, if you have questions, please contact Benefits Operations at kc.benefits@metrokc.gov or 206-684-1556.